

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Ellsworth	County Antrim
Fiscal Year End 2/28/07	Opinion Date 5/31/07	Date Audit Report Submitted to State 8-30-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

☒ **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789		
Street Address 134 W. Harris Street		City Cadillac	State MI	Zip 49601
Authorizing CPA Signature 		Printed Name Steven C. Arends, C.P.A.		License Number 1101013211

VILLAGE OF ELLSWORTH, MICHIGAN

FEBRUARY 28, 2007

VILLAGE OF ELLSWORTH, MICHIGAN

FEBRUARY 28, 2007

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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May 31, 2007

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Ellsworth, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ellsworth, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Ellsworth, Michigan's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ellsworth, Michigan, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated May 31, 2007 on our consideration of the Village of Ellsworth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through xi and 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepting in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Ellsworth, Michigan, basic financial statements. The individual fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

Management's Discussion and Analysis

The management of the Village of Ellsworth, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2007, along with specific comparative information as required for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- ❖ The assets of the Village exceeded its liabilities at the close of this fiscal year by \$865,755 (shown as *Net Assets*), representing an increase of \$70,360 from the previous fiscal year. A reconciliation of beginning net assets to ending net assets is presented below:

Net Assets, February 28, 2006	\$ 767,115
Construction in progress not recognized in prior year's financial statements	28,280
Net Assets, March 1, 2006	<u>795,395</u>
Governmental activities increase in net assets	53,006
Business-Type activities increase in net assets	17,354
Net Assets, February 28, 2007	<u><u>\$ 865,755</u></u>

Fund Level Financial Highlights

- ❖ As of February 28, 2007, the governmental funds of the Village of Ellsworth reported combined ending fund balances of \$210,310, of which \$208,385 is unreserved.
- ❖ The unreserved fund balance of the Village's General Fund increased this year to \$143,258, or 86.37% of total general fund expenditures.

Long-Term Debt

- ❖ The Village of Ellsworth's total debt **increased** by \$121,474 during the fiscal year.

Overview of the Financial Statements

The Village of Ellsworth's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

Government-wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the Village include water utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund and Recreation Fund. The major Proprietary Fund is the Water Fund. Presentation of major funds can be found on pages 29-50 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Ellsworth uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Village include the General Fund as well as the special revenue funds.

Proprietary Funds Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village. Enterprise funds are one type of proprietary funds:

- Enterprise funds are used to report business-like activities of the Village. These activities intend to recover the full cost of the services through the fee charged to the customers. The Village has one enterprise fund, which is the Water Fund.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 14 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$865,755 at February 28, 2007, meaning that the Village's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in net assets over the previous fiscal year.

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

Village of Ellsworth

Net Assets

As of February 28,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 250,304	\$ 171,245	\$ 100,012	\$110,592	\$ 350,316	\$ 281,837
Capital Assets	280,715	168,188	749,863	723,640	1,030,578	891,828
Total Assets	\$ 531,019	\$ 339,433	\$ 849,875	\$834,232	\$1,380,894	\$1,173,665
Long-term liabilities	\$ 113,707	\$ 9,233	\$ 316,000	\$324,000	\$ 429,707	\$ 333,233
Other liabilities	66,318	32,212	19,114	12,825	85,432	45,037
Total Liabilities	\$ 180,025	\$ 41,445	\$ 335,114	\$336,825	\$ 515,139	\$ 378,270
Net Assets						
Invested in capital assets net of related debt	\$ 136,482	\$ 162,662	\$ 425,863	\$391,640	\$ 562,345	\$ 554,302
Restricted	0	0	52,486	67,434	52,486	67,434
Unrestricted	214,512	135,326	36,412	38,333	250,924	173,659
Total Net Assets	\$ 350,994	\$ 297,988	\$ 514,761	\$497,407	\$ 865,755	\$ 795,395

The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$250,924 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Village policies regarding their use.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the Government-wide Statement of Activities.

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

*Village of Ellsworth
Change in Net Assets
For the Fiscal Year Ended February 28,*

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 56,290	\$ 1,900	\$ 63,131	\$ 62,928	\$119,421	\$ 64,828
Operating Grants and Contributions	94,469	77,107	57,884	6,555	152,353	83,662
General Revenues						
Taxes	89,904	84,772	0	0	89,904	84,772
State Grants	46,994	52,434	0	0	46,994	52,434
Interest Earnings	4,139	59,468	2,528	2,083	6,667	61,551
Other	1,060	3,648	20,967	17,468	22,027	21,116
Total Revenues	<u>\$292,856</u>	<u>\$279,329</u>	<u>\$144,510</u>	<u>\$ 89,034</u>	<u>\$437,366</u>	<u>\$ 368,363</u>
<u>Expenses</u>						
Legislative	\$ 8,253	\$ 10,117	\$ 0	\$ 0	\$ 8,253	\$ 10,117
General Government	92,969	100,414	0	0	92,969	100,414
Public Safety	5,172	7,828	0	0	5,172	7,828
Public Works	81,522	95,033	0	0	81,522	95,033
Community and Economic Development	4,459	23,221	0	0	4,459	23,221
Health and Welfare	800	2,649	0	0	800	2,649
Recreation and Culture	29,139	3,500	0	0	29,139	3,500
Other Functions	17,028	15,441	0	0	17,028	15,441
Interest on Long-Term Debt	508	527	0	0	508	527
Water	0	0	127,156	101,604	127,156	101,604
Total Expenses	<u>\$239,850</u>	<u>\$258,730</u>	<u>\$127,156</u>	<u>\$101,604</u>	<u>\$367,006</u>	<u>\$ 360,334</u>
Increase(Decrease) in Net Assets	\$ 53,006	\$ 20,599	\$ 17,354	\$ (12,570)	\$ 70,360	\$ 8,029
Beginning Net Assets	297,988	277,389	497,407	509,977	795,395	787,366
Ending Net Assets	<u>\$350,994</u>	<u>\$297,988</u>	<u>\$514,761</u>	<u>\$497,407</u>	<u>\$865,755</u>	<u>\$ 795,395</u>

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

Governmental Activities

The most significant portion of the revenue for all governmental activities of the Village of Ellsworth comes from Taxes (30.69%). The Village's operating millage remained the same in 2006 at 11 mills. The Village's charter allows the Village to levy up to 15 mills for operations.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2006, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Village's governmental activities expenses are dominated by the General Government expenses that total 38.76% of total expenses. The Village spent \$92,969 in FY2007 on General Government. Public Works represented the next largest expense at \$81,522 or 33.99% of total expenses within the governmental activities.

Business-Type Activities

These activities accounted for an increase of \$17,354 in the Village's Net Assets.

The Business-type activities of the Village include the Water Fund, which provides water utility services to Village residents as well as commercial customers.

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Village's fiscal year ended February 28, 2007, its governmental funds reported fund balances of \$210,310. Of this amount, \$208,385, or 99.08% is unreserved. This amount includes \$65,127 designated for street improvements. The remaining \$1,925 of fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

General Fund – The General Fund is the main operating fund of the Village. The General Fund increased its fund balance in this fiscal year by \$12,961, bringing the balance to \$143,258. Unreserved fund balance increased by \$12,961. All of the General Fund's major functions with the exception of Other Functions ended the year with expenditures below appropriated amounts. In the Other Functions, an increase in liability insurance expense accounted for much of the overage. Property tax revenues in the General Fund increased \$5,132 in 2007, an increase of 6.05%. State shared revenue decreased by \$416 from the amount received in the previous fiscal year, representing a 0.9% reduction which resulted from State actions in response to the economic slowdown experienced throughout the State.

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

Major Street Fund – The Major Street Fund completed \$105,702 in street improvements in this fiscal year. The fund balance of the Major Street Fund ended the year at \$65,084. This was an increase of \$52,953 from the previous year. The Village used funds accumulated from previous years and issued bonds in the amount of \$135,000 in order to complete this year's projects.

Local Street Fund – The Local Street Fund completed \$15,750 in street construction and improvements in this fiscal year. The fund balance of this fund is at \$43, a decrease of \$322 during this fiscal year.

Recreation Fund – The fund balance of this fund is at \$1,925, an increase of \$159, during the fiscal year.

Proprietary Funds The Village's proprietary fund provides virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$36,412 in unrestricted net assets. This fund experienced an increase in interest income of \$312, or 17.62% from the previous fiscal year. The net assets of the fund increased by \$17,354 in 2007.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2007 amounted to \$1,030,578 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

*Village of Ellsworth
Capital Assets as of February 28,*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land and Land Improvements	\$ 55,467	\$ 55,467	\$ 0	\$ 0	\$ 55,467	\$ 55,467
Construction in Progress	119,648	28,280	0	0	119,648	28,280
Buildings	109,000	109,000	29,337	29,337	138,337	138,337
Improvements other than Buildings	0	0	1,242,373	1,184,489	1,242,373	1,184,489
Roads	30,084	0	0	0	30,084	0
Machinery and Equipment	138,162	138,162	50,643	50,643	188,805	188,805
Subtotal	\$ 452,361	\$ 330,909	\$ 1,322,353	\$ 1,264,469	\$ 1,774,714	\$ 1,595,378
Accumulated Depreciation	171,646	162,721	572,490	540,829	744,136	703,550
Net Capital Assets	\$ 280,715	\$ 168,188	\$ 749,863	\$ 723,640	\$ 1,030,578	\$ 891,828

Major capital asset events during FY2007 included the following:

- Paving was completed on High Street at a cost of \$15,750.
- Improvements were completed on Main Street at a cost of \$105,702. There are commitments of approximately \$80,208 remaining to complete the project.
- A water system extension was completed at a cost of \$57,884.

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements section on pages 23-24.

Long-Term Debt. As of February 28, 2007, the Village had total bonded debt outstanding of \$459,000, and a note payable outstanding of \$9,233. Of these amounts, \$324,000 represents bonds secured solely by specified revenue sources, \$135,000 represents bonds secured by the full faith and credit of the government and \$9,233 represents a note acquired for an equipment purchase in the General Fund. The revenue bonds are associated with the Water Fund (\$324,000), are backed by revenues from the Water system, and have been used to finance major capital projects within the Water system.

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2007

*Village of Ellsworth Outstanding Debt
Revenue Bonds
as of February 28, 2007*

	Governmental	Business-Type	Total Primary
Contracts and Notes	\$ 9,233	\$ 0	\$ 9,233
General Obligation Bonds	135,000	0	135,000
Revenue Bonds	0	324,000	324,000
Total	\$ 144,233	\$ 324,000	\$ 468,233

The Village issued new bonded debt in the amount of \$135,000 in FY2007, and the total debt increased from \$346,759 at February 28, 2006, to \$468,233 at February 28, 2007, an increase of \$121,474. More information on the Village's long-term debt is available in the Notes to Financial Statements section of this document, on pages 25-26.

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Ellsworth, P.O. Box 265, Ellsworth, Michigan 49729, or call us at (231) 588-7411.

VILLAGE OF ELLSWORTH, MICHIGAN

STATEMENT OF NET ASSETS

FEBRUARY 28, 2007

		GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$	203,487	\$ 40,071	\$ 243,558
Receivables				
Accounts		0	6,009	6,009
Taxes		487	0	487
Internal Balances		554	(554)	0
Due from Other Governments		39,264	0	39,264
Inventory		0	2,000	2,000
Total Current Assets	\$	243,792	\$ 47,526	\$ 291,318
<u>RESTRICTED ASSETS</u>				
Deposits				
Bond and Interest Redemption Fund	\$	0	\$ 10,000	\$ 10,000
Bond Reserve Account		0	37,485	37,485
Special Purpose Account		0	5,001	5,001
Total Restricted Assets	\$	0	\$ 52,486	\$ 52,486
<u>NONCURRENT ASSETS</u>				
Deferred Charges - Net of Amortization	\$	6,512	\$ 0	\$ 6,512
<u>CAPITAL ASSETS</u>				
Land	\$	36,409	\$ 0	\$ 36,409
Construction in Progress		119,648	0	119,648
Land Improvements		19,058	0	19,058
Buildings		109,000	29,337	138,337
Machinery and Equipment		138,162	50,643	188,805
Roads		30,084	0	30,084
System Infrastructure		0	1,242,373	1,242,373
	\$	452,361	\$ 1,322,353	\$ 1,774,714
Less Accumulated Depreciation		171,646	572,490	744,136
Net Capital Assets	\$	280,715	\$ 749,863	\$ 1,030,578
TOTAL ASSETS	\$	531,019	\$ 849,875	\$ 1,380,894

The accompanying notes are an integral part of the financial statements.

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Bank Overdraft	\$ 18,390	\$ 0	\$ 18,390
Accounts Payable	8,547	998	9,545
Customer Deposit	0	10,116	10,116
Payroll Withholdings Payable	389	0	389
Accrued Expenses	6,156	0	6,156
Accrued Interest	2,310	0	2,310
Current Portion of Long-Term Debt	30,526	8,000	38,526
Total Current Liabilities	\$ 66,318	\$ 19,114	\$ 85,432
<u>LONG-TERM LIABILITIES</u>			
Equipment Note Payable	\$ 3,707	\$ 0	\$ 3,707
Bonds	110,000	0	110,000
Revenue Bonds	0	316,000	316,000
Total Long-Term Liabilities	\$ 113,707	\$ 316,000	\$ 429,707
TOTAL LIABILITIES	\$ 180,025	\$ 335,114	\$ 515,139
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 136,482	\$ 425,863	\$ 562,345
Restricted for Debt Service	0	47,485	47,485
Restricted for Special Purposes	0	5,001	5,001
Unrestricted	214,512	36,412	250,924
TOTAL NET ASSETS	\$ 350,994	\$ 514,761	\$ 865,755
TOTAL LIABILITIES AND NET ASSETS	\$ 531,019	\$ 849,875	\$ 1,380,894

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL	BUSINESS-TYPE	TOTALS
				ACTIVITIES	ACTIVITIES	
<u>PRIMARY GOVERNMENT</u>						
<u>GOVERNMENTAL ACTIVITIES</u>						
Legislative	\$ 8,253	\$ 0	\$ 0	\$ (8,253)	\$ 0	\$ (8,253)
General Government	92,969	29,191	0	(63,778)	0	(63,778)
Public Safety	5,172	1,028	825	(3,319)	0	(3,319)
Public Works	81,522	0	84,519	2,997	0	2,997
Community and Economic Development	4,459	0	0	(4,459)	0	(4,459)
Health and Welfare	800	0	0	(800)	0	(800)
Recreation and Culture	29,139	26,071	9,125	6,057	0	6,057
Other Functions	17,028	0	0	(17,028)	0	(17,028)
Interest on Long-Term Debt	508	0	0	(508)	0	(508)
Total Governmental Activities	\$ 239,850	\$ 56,290	\$ 94,469	\$ (89,091)	\$ 0	\$ (89,091)
<u>BUSINESS-TYPE ACTIVITIES</u>						
Water System	127,156	63,131	57,884	0	(6,141)	(6,141)
TOTAL	\$ 367,006	\$ 119,421	\$ 152,353	\$ (89,091)	\$ (6,141)	\$ (95,232)
<u>GENERAL REVENUES</u>						
Taxes				\$ 89,904	\$ 0	\$ 89,904
State Grants				46,994	0	46,994
Interest Earnings				4,139	2,528	6,667
Other				1,060	20,967	22,027
				\$ 142,097	\$ 23,495	\$ 165,592
Change in Net Assets				\$ 53,006	\$ 17,354	\$ 70,360
NET ASSETS - Beginning of Year				297,988	497,407	795,395
NET ASSETS - End of Year				\$ 350,994	\$ 514,761	\$ 865,755

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
FEBRUARY 28, 2007

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	RECREATION FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 131,521	\$ 70,041	\$ 0	\$ 1,925	\$ 203,487
Taxes Receivable	487	0	0	0	487
Due from Other Governments	15,818	18,765	4,681	0	39,264
Due from Other Funds	13,887	8,893	17,450	0	40,230
TOTAL ASSETS	<u>\$ 161,713</u>	<u>\$ 97,699</u>	<u>\$ 22,131</u>	<u>\$ 1,925</u>	<u>\$ 283,468</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Bank Overdraft	\$ 0	\$ 0	\$ 18,390	\$ 0	\$ 18,390
Accounts Payable	3,017	5,085	445	0	8,547
Payroll Withholdings Payable	389	0	0	0	389
Accrued Wages	6,156	0	0	0	6,156
Due to Other Funds	8,893	27,530	3,253	0	39,676
Total Liabilities	<u>\$ 18,455</u>	<u>\$ 32,615</u>	<u>\$ 22,088</u>	<u>\$ 0</u>	<u>\$ 73,158</u>
<u>FUND BALANCE</u>					
Reserved for:					
Recreation Programs	\$ 0	\$ 0	\$ 0	\$ 1,925	\$ 1,925
Unreserved:					
Designated for:					
Street Improvements	0	65,084	43	0	65,127
Undesignated	143,258	0	0	0	143,258
Total Fund Balance	<u>\$ 143,258</u>	<u>\$ 65,084</u>	<u>\$ 43</u>	<u>\$ 1,925</u>	<u>\$ 210,310</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 161,713</u>	<u>\$ 97,699</u>	<u>\$ 22,131</u>	<u>\$ 1,925</u>	<u>\$ 283,468</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2007

Total Fund Balances for Governmental Funds	\$ 210,310
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 36,409	
Construction in Progress	119,648	
Land Improvements	19,058	
Buildings	109,000	
Machinery and Equipment	138,162	
Roads	30,084	
Accumulated Depreciation	<u>(171,646)</u>	280,715

Bond issuance costs are reported as deferred charges and capitalized and amortized over the term of the bonds	6,512
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Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds.

Bonds Payable		(135,000)
Equipment Note Payable		(9,233)
Accrued Interest Payable		<u>(2,310)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 350,994</u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2007

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	RECREATION FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 89,904	\$ 0	\$ 0	\$ 0	\$ 89,904
Licenses and Permits	365	0	0	0	365
State Grants	50,638	57,973	15,727	0	124,338
Contributions from Local Units	0	8,000	0	3,500	11,500
Charges for Services	900	0	0	2,409	3,309
Fines and Forfeits	663	0	0	0	663
Interest and Rents	54,399	1,671	22	0	56,092
Other Revenue	6,285	0	0	400	6,685
Total Revenues	\$ 203,154	\$ 67,644	\$ 15,749	\$ 6,309	\$ 292,856
<u>EXPENDITURES</u>					
Legislative	\$ 8,253	\$ 0	\$ 0	\$ 0	\$ 8,253
General Government	89,093	0	0	0	89,093
Public Safety	5,172	0	0	0	5,172
Public Works	16,224	150,021	30,971	0	197,216
Community and Economic Development	4,459	0	0	0	4,459
Health and Welfare	800	0	0	0	800
Recreation and Culture	18,796	0	0	8,150	26,946
Other Functions	17,028	0	0	0	17,028
Debt Service	6,034	0	0	0	6,034
Total Expenditures	\$ 165,859	\$ 150,021	\$ 30,971	\$ 8,150	\$ 355,001
<u>Excess (Deficiency) of Revenues</u>					
Over Expenditures	\$ 37,295	\$ (82,377)	\$ (15,222)	\$ (1,841)	\$ (62,145)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2007

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	RECREATION FUND	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	\$ 0	\$ 14,459	\$ 14,900	\$ 2,000	\$ 31,359
Transfers Out	(24,334)	(7,025)	0	0	(31,359)
Bond Proceeds	0	135,000	0	0	135,000
Bond Issuance Costs	0	(7,104)	0	0	(7,104)
Total Other Financing Sources (Uses)	\$ (24,334)	\$ 135,330	\$ 14,900	\$ 2,000	\$ 127,896
Net Changes in Fund Balances	\$ 12,961	\$ 52,953	\$ (322)	\$ 159	\$ 65,751
<u>FUND BALANCES</u> - Beginning of Year	130,297	12,131	365	1,766	144,559
<u>FUND BALANCES</u> - End of Year	\$ 143,258	\$ 65,084	\$ 43	\$ 1,925	\$ 210,310

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 65,751
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.	
Depreciation Expense	(8,925)
Capital Outlay	121,452
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.	
Accrued Interest Payable - Beginning of Year	0
Accrued Interest Payable - End of Year	(2,310)
The issuance of long-term debt provides financial resources of governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
Repayments of principal on long-term debt	5,526
Deferred Charges for Bond Issuance Costs	7,104
New long-term debt issued	(135,000)
Amortization of bond issue cost	(592)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 53,006</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
PROPRIETARY FUND
STATEMENT OF NET ASSETS
FEBRUARY 28, 2007

	<u>ASSETS</u>	<u>WATER FUND</u>
<u>CURRENT ASSETS</u>		
Cash		\$ 40,071
Accounts Receivable		6,009
Inventory		2,000
		<hr/>
Total Current Assets		\$ 48,080
		<hr/>
<u>RESTRICTED ASSETS</u>		
Deposits		
Bond and Interest Redemption Fund		\$ 10,000
Bond Reserve Account		37,485
Special Purpose Account		5,001
		<hr/>
Total Restricted Assets		\$ 52,486
		<hr/>
<u>CAPITAL ASSETS</u>		
Buildings		\$ 29,337
Machinery and Equipment		50,643
System Infrastructure		1,242,373
		<hr/>
		\$ 1,322,353
Less Accumulated Depreciation		572,490
		<hr/>
Net Capital Assets		\$ 749,863
		<hr/>
TOTAL ASSETS		<u><u>\$ 850,429</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
PROPRIETARY FUND
STATEMENT OF NET ASSETS
FEBRUARY 28, 2007

	<u>WATER FUND</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 998
Customer Deposit	10,116
Due to General Fund	554
Revenue Bonds Payable - Current Portion	<u>8,000</u>
Total Current Liabilities	\$ 19,668
<u>LONG-TERM LIABILITIES</u>	
Revenue Bonds Payable - Net of Current Portion	<u>316,000</u>
TOTAL LIABILITIES	<u>\$ 335,668</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 425,863
Restricted	52,486
Unrestricted	<u>36,412</u>
Total Net Assets	<u>\$ 514,761</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 850,429</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED FEBRUARY 28, 2007

	<u>WATER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 63,131
Other Revenue	<u>20,967</u>
Total Operating Revenues	<u>\$ 84,098</u>
<u>OPERATING EXPENSES</u>	
Administrative and General	\$ 11,569
Plant	<u>95,497</u>
Total Operating Expenses	<u>\$ 107,066</u>
Operating Income (Loss)	<u>\$ (22,968)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Revenue	\$ 2,528
Interest Expense	<u>(20,090)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (17,562)</u>
Income (Loss) Before Contributions	\$ (40,530)
<u>CAPITAL CONTRIBUTIONS</u>	
Water Main Extension	<u>57,884</u>
Change in Net Assets	\$ 17,354
<u>TOTAL NET ASSETS - Beginning of Year</u>	<u>497,407</u>
<u>TOTAL NET ASSETS -End of Year</u>	<u><u>\$ 514,761</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2007

	<u>WATER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 75,793
Cash Payments to Suppliers for Goods and Services	(62,457)
Cash Payments to Employees for Services	(16,775)
Other Operating Revenues	<u>20,967</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 17,528</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Contributions	\$ 57,884
Payment of Revenue Bond	(8,000)
Addition to Water System	(57,884)
Interest Payments	<u>(20,090)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>\$ (28,090)</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>\$ 2,528</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (8,034)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>100,591</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 92,557</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2007

	<u>WATER FUND</u>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ (22,968)
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	\$ 31,661
(Increase) Decrease in Current Assets	
Accounts Receivable	2,546
Increase (Decrease) in Current Liabilities	
Accounts Payable	(3,827)
Customer Deposit	10,116
	<hr/>
Total Adjustments	\$ 40,496
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 17,528
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Ellsworth, Michigan, is a general law village incorporated under the General Village Act of 1895. As required by generally accepted accounting principles, these financial statements present all activities of the Village. Entities for which the Village is considered to be financially accountable are called component units. The Village has no component units.

B. Government-wide and Fund Financial Statements

The Village adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The Village of Ellsworth reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

The *Local Street Fund* receives all local street money paid to the Village by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Recreation Fund* is used to account for the financial activity of the recreation programs.

The Village of Ellsworth reports the following major proprietary fund:

The *Water Fund* records financial activity of the water system which provides water to customers.

Additionally the Village of Ellsworth reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is charges between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

D. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The investment policy adopted by this Village states that the Village Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. Bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- c. In commercial paper rated prime at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.
- g. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686.54789, 15 U.S.C.80a-1 to U.S.C.80a-3 and 80e-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the village treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- h. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.11 to 129.118.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Village taxes are levied and due July 1, and become delinquent after September 14. Village property tax revenues are recognized when they become both measurable and available for use to finance Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of the Village of Ellsworth totaled \$8,089,281, on which ad valorem taxes levied consisted of 11.00 mills for the Village of Ellsworth operating purposes.

3. *Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

4. *Restricted Assets*

The \$52,486 restricted assets in the Water Fund represents monies required under the bond ordinance for the following:

<u>ITEM</u>	<u>ACTUAL</u>	<u>AMOUNT REQUIRED</u>
Bond and Interest Redemption Fund	\$ 10,000	\$ 4,961
Bond Reserve Account	37,485	33,000
Special Purpose Account	5,001	5,000
Total	<u>\$ 52,486</u>	<u>\$ 42,961</u>

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	20-50
Building improvements	20
Land improvements	20
Public domain infrastructure	50
System infrastructure	30
Machinery and Equipment	5-10

6. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act." A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end.

The appropriated budget is prepared by fund and activity. The Village Council exercises budgetary control over expenditures.

The Village follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to March 1, the clerk submits, to the Village Council, proposed operating budgets for all funds of the Village for the fiscal year
2. The Village Council adopts a resolution approving the budgets.
3. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
4. During the year, the budget is monitored and amendments to the budget are made when it is deemed necessary.
5. Budget amounts as presented are as originally adopted on February 19, 2006, or as amended by the Village Council from time to time throughout the year.
6. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Major Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Other Functions	\$ 15,950	\$ 17,028
Major Street Fund	72,934	150,021
Local Street Fund	25,263	30,971
Recreation Fund	7,880	8,150

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Village's deposits are owned by several of the Village's funds. Bank deposits are in Charlevoix State Bank, Charlevoix and Citizens Bank, Charlevoix.

Investment rate risk. The Village will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Village's cash requirement.

Foreign currency risk. The Village is not authorized to invest in investments, which have this type of risk.

Credit risk. The Village will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Village's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Village will do business in accordance with the Village's investment policy.

Concentration of credit risk. The Village will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of February 28, 2007, of the government's bank balance of \$279,017, \$28,085 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investments are categorized to give an indication of the level of risk assumed by the Village at year end. Category 1 includes investments that are insured or registered, or securities held by the Village or the Village's agent in the Village's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Village's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Village's name. At year end, the Village held no investments.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007

B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Major Street	Local Street	Water	Total
Receivables					
Taxes	\$ 487	\$ 0	\$ 0	\$ 0	\$ 487
Accounts	0	0	0	6,009	6,009
Intergovernmental	15,818	18,765	4,681	0	39,264
Total Receivables	\$ 16,305	\$ 18,765	\$ 4,681	\$ 6,009	\$ 45,760

By ordinance, the Village can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 36,409	\$ 0	\$ 0	\$ 36,409
Construction in Progress	28,280	91,368	0	119,648
Total Capital Assets, not being depreciated	\$ 64,689	\$ 91,368	\$ 0	\$ 156,057
Capital assets, being depreciated				
Land Improvements	\$ 19,058	\$ 0	\$ 0	\$ 19,058
Buildings	109,000	0	0	109,000
Roads	0	30,084	0	30,084
Machinery and Equipment	138,162	0	0	138,162
Total capital assets, being depreciated	\$ 266,220	\$ 30,084	\$ 0	\$ 296,304
Less accumulated depreciation for:				
Land Improvements	\$ 1,429	\$ 953	\$ 0	\$ 2,382
Buildings	56,950	2,420	0	59,370
Roads	0	316	0	316
Machinery and Equipment	104,342	5,236	0	109,578
Total accumulated depreciation	\$ 162,721	\$ 8,925	\$ 0	\$ 171,646
Total capital assets, being depreciated, net	\$ 103,499	\$ 21,159	\$ 0	\$ 124,658
Governmental activities capital assets, net	\$ 168,188	\$ 112,527	\$ 0	\$ 280,715

Business-Type Activities

Capital assets, being depreciated				
Buildings	\$ 29,337	\$ 0	\$ 0	\$ 29,337
Machinery and Equipment	50,643	0	0	50,643
System Infrastructure	1,184,489	57,884	0	1,242,373
Total capital assets, being depreciated	\$ 1,264,469	\$ 57,884	\$ 0	\$ 1,322,353
Less accumulated depreciation for:	\$ 540,829	\$ 31,661	\$ 0	\$ 572,490
Business-type activities capital assets, net	\$ 723,640	\$ 26,223	\$ 0	\$ 749,863

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General Government	\$ 3,876
Public Works	2,856
Recreation and Culture	<u>2,193</u>
Total depreciation expense - governmental activities	<u>\$ 8,925</u>
Business-type activities:	
Water	<u>\$ 31,661</u>

Construction Commitments:

At February 28, 2007, the Village had two uncompleted construction contracts in the Major Street Fund. The remaining commitment on these construction contracts was approximately \$80,208.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at February 28, 2007, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 13,887	\$ 8,893
Special Revenue Funds		
Major Street Fund	8,893	27,530
Local Street Fund	17,450	3,253
Enterprise Funds		
Water and Sewer	0	554
	<u>\$ 40,230</u>	<u>\$ 40,230</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at February 28, 2007, are expected to be repaid within one year.

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
Primary Government		
General Fund	\$ 0	\$ 24,334
Major Street Fund	14,459	7,025
Local Street Fund	14,900	0
Recreation Fund	2,000	0
	<u>\$ 31,359</u>	<u>\$ 31,359</u>

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

E. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the Village of Ellsworth for the year ended February 28, 2007:

	REVENUE BONDS	TRANSPORTATION BONDS	EQUIPMENT NOTES PAYABLE	TOTAL
Debt Payable at March 1, 2006	\$ 332,000	\$ 0	\$ 14,759	\$ 346,759
New Debt Incurred	0	135,000	0	135,000
Debt Retired	(8,000)	0	(5,526)	(13,526)
Debt Payable at February 28, 2007	<u>\$ 324,000</u>	<u>\$ 135,000</u>	<u>\$ 9,233</u>	<u>\$ 468,233</u>
Due within one year	<u>\$ 8,000</u>	<u>\$ 25,000</u>	<u>\$ 5,761</u>	<u>\$ 38,761</u>

Debt payable at February 28, 2007 is comprised of the following individual issues:

Individual Amounts:

\$18,763 Note for Equipment to Charlevoix State Bank due in monthly installments of \$503 through September 10, 2008, Interest at 4.10% \$ 9,233

Transportation Bonds:

\$135,000 Transportation Fund Bonds due in annual installments of \$25,000 to \$30,000 through October 1, 2011; Interest at 4.20% 135,000

Revenue Bonds:

\$410,000 Water Supply System Revenue Bonds due in annual installments of \$8,000 to \$30,000 through September 1, 2025; Interest at 6.125% 324,000

\$ 468,233

The annual requirements to amortize these debts outstanding as of February 28, 2007, including interest payments of \$248,076, are as follows:

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

YEAR ENDING FEBRUARY 28,	TRANSPORTATION BONDS	EQUIPMENT NOTES PAYABLE	REVENUE BONDS	TOTAL
2008				
PRINCIPAL	\$ 25,000	\$ 5,761	\$ 8,000	\$ 38,761
INTEREST	5,607	273	19,599	25,479
TOTAL	\$ 30,607	\$ 6,034	\$ 27,599	\$ 64,240
2009				
PRINCIPAL	\$ 25,000	\$ 3,472	\$ 9,000	\$ 37,472
INTEREST	4,620	48	19,079	23,747
TOTAL	\$ 29,620	\$ 3,520	\$ 28,079	\$ 61,219
2010				
PRINCIPAL	\$ 25,000	\$ 0	\$ 9,000	\$ 34,000
INTEREST	3,570	0	18,528	22,098
TOTAL	\$ 28,570	\$ 0	\$ 27,528	\$ 56,098
2011				
PRINCIPAL	\$ 30,000	\$ 0	\$ 10,000	\$ 40,000
INTEREST	2,520	0	17,946	20,466
TOTAL	\$ 32,520	\$ 0	\$ 27,946	\$ 60,466
2012				
PRINCIPAL	\$ 30,000	\$ 0	\$ 11,000	\$ 41,000
INTEREST	1,260	0	17,303	18,563
TOTAL	\$ 31,260	\$ 0	\$ 28,303	\$ 59,563
2013-2017				
PRINCIPAL	\$ 0	\$ 0	\$ 70,000	\$ 70,000
INTEREST	0	0	74,724	74,724
TOTAL	\$ 0	\$ 0	\$ 144,724	\$ 144,724
2018-2022				
PRINCIPAL	\$ 0	\$ 0	\$ 99,000	\$ 99,000
INTEREST	0	0	49,155	49,155
TOTAL	\$ 0	\$ 0	\$ 148,155	\$ 148,155
2023-2026				
PRINCIPAL	\$ 0	\$ 0	\$ 108,000	\$ 108,000
INTEREST	0	0	13,844	13,844
TOTAL	\$ 0	\$ 0	\$ 121,844	\$ 121,844
GRAND TOTAL				
PRINCIPAL	\$ 135,000	\$ 9,233	\$ 324,000	\$ 468,233
INTEREST	17,577	321	230,178	248,076
TOTAL	\$ 152,577	\$ 9,554	\$ 554,178	\$ 716,309

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2007

IV. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Village participates in a pool of municipalities with the State of Michigan for self-insuring worker's compensation insurance through Michigan Municipal Worker's Compensation Fund. The Village pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Village has not been informed of any special assessments being required for the current year or the three prior years.

In addition, the Village carries commercial insurance to cover property and casualty, crime, general liability, errors and omissions, and fidelity bonds.

B. Interest Income and Expense

For the year ended February 28, 2007, total interest/investment income was \$6,667 and total interest expense was \$20,598.

C. Due from Other Governments

Amounts due from other governments consists of \$7,818 in state-shared revenues, \$8,000 contribution from Banks Township and \$23,446 in Act 51 revenues.

D. Restatement

The beginning net assets of the governmental activities on the statement of activities was increased by \$28,280 to correct for capitalization of prior year road construction expenses.

VILLAGE OF ELLSWORTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 28, 2007

	GENERAL FUND				MAJOR STREET FUND				LOCAL STREET FUND				RECREATION FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL
REVENUES																
Taxes	\$ 85,000	\$ 85,000	\$ 89,904	\$ 4,904	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	3,300	3,300	365	(2,935)	0	0	0	0	0	0	0	0	0	0	0	0
State Grants	48,962	48,962	50,638	1,676	54,000	54,000	57,973	3,973	14,000	22,414	15,727	(6,687)	0	0	0	0
Contributions from Local Units	8,000	8,000	0	(8,000)	0	0	8,000	8,000	0	0	0	0	5,500	5,500	3,500	(2,000)
Charges for Services	300	300	900	600	0	0	0	0	0	0	0	0	1,400	1,400	2,409	1,009
Fines and Forfeits	200	200	663	463	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Rents	54,600	54,600	54,399	(201)	0	0	1,671	1,671	0	0	22	22	0	0	0	0
Other Revenues	1,600	2,615	6,285	3,670	0	0	0	0	0	0	0	0	465	465	400	(65)
Total Revenues	\$ 201,962	\$ 202,977	\$ 203,154	\$ 177	\$ 54,000	\$ 54,000	\$ 67,644	\$ 13,644	\$ 14,000	\$ 22,414	\$ 15,749	\$ (6,665)	\$ 7,365	\$ 7,365	\$ 6,309	\$ (1,056)
EXPENDITURES																
Legislative	\$ 9,800	\$ 9,800	\$ 8,253	\$ 1,547	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government																
Elections	475	515	512	3	0	0	0	0	0	0	0	0	0	0	0	0
Clerk	7,995	7,955	7,226	729	0	0	0	0	0	0	0	0	0	0	0	0
Treasurer	4,085	4,085	3,739	346	0	0	0	0	0	0	0	0	0	0	0	0
Building and Grounds	86,020	86,030	77,616	8,414	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	6,550	6,550	5,172	1,378	0	0	0	0	0	0	0	0	0	0	0	0
Public Works	17,000	17,000	16,224	776	50,600	72,934	150,021	(77,087)	16,850	25,263	30,971	(5,708)	0	0	0	0
Community and Economic Development	3,350	5,890	4,459	1,431	0	0	0	0	0	0	0	0	0	0	0	0
Health and Welfare	3,500	960	800	160	0	0	0	0	0	0	0	0	0	0	0	0
Recreation and Culture	23,500	24,715	18,796	5,919	0	0	0	0	0	0	0	0	7,880	7,880	8,150	(270)
Other Functions	15,950	15,950	17,028	(1,078)	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service	6,040	6,040	6,034	6	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	\$ 184,265	\$ 185,490	\$ 165,859	\$ 19,631	\$ 50,600	\$ 72,934	\$ 150,021	\$ (77,087)	\$ 16,850	\$ 25,263	\$ 30,971	\$ (5,708)	\$ 7,880	\$ 7,880	\$ 8,150	\$ (270)
Excess (Deficiency) of Revenues																
Over Expenditures	\$ 17,697	\$ 17,487	\$ 37,295	\$ 19,808	\$ 3,400	\$ (18,934)	\$ (82,377)	\$ (63,443)	\$ (2,850)	\$ (2,849)	\$ (15,222)	\$ (12,373)	\$ (515)	\$ (515)	\$ (1,841)	\$ (1,326)
OTHER FINANCING SOURCES (USES)																
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,334	\$ 14,459	\$ (7,875)	\$ 3,400	\$ 3,400	\$ 14,900	\$ 11,500	\$ 0	\$ 0	\$ 2,000	\$ (2,000)
Transfers Out	(22,334)	(22,334)	(24,334)	2,000	(3,400)	(3,400)	(7,025)	(3,625)	0	0	0	0	0	0	0	0
Bond Proceeds	0	0	0	0	0	0	135,000	135,000	0	0	0	0	0	0	0	0
Bond Issuance Costs	0	0	0	0	0	0	(7,104)	(7,104)	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ (22,334)	\$ (22,334)	\$ (24,334)	\$ 2,000	\$ (3,400)	\$ 18,934	\$ 135,330	\$ 116,396	\$ 3,400	\$ 3,400	\$ 14,900	\$ 11,500	\$ 0	\$ 0	\$ 2,000	\$ (2,000)
Net Change in Fund Balance	\$ (4,637)	\$ (4,847)	\$ 12,961	\$ 17,808	\$ 0	\$ 0	\$ 52,953	\$ 52,953	\$ 550	\$ 551	\$ (322)	\$ (873)	\$ (515)	\$ (515)	\$ 159	\$ 674
FUND BALANCE - Beginning of Year	107,666	107,666	130,297	22,631	0	12,100	12,131	31	300	300	365	65	932	1,766	1,766	0
FUND BALANCE - End of Year	\$ 103,029	\$ 102,819	\$ 143,258	\$ 40,439	\$ 0	\$ 12,100	\$ 65,084	\$ 52,984	\$ 850	\$ 851	\$ 43	\$ (808)	\$ 417	\$ 1,251	\$ 1,925	\$ 674

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 131,521	\$ 128,055
Taxes Receivable	487	0
Due from Other Governments	15,818	8,053
Due from Other Funds		
Water Fund	554	554
Major Streets	10,080	0
Local Streets	3,253	3,253
TOTAL ASSETS	<u>\$ 161,713</u>	<u>\$ 139,915</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 3,017	\$ 3,976
Payroll Withholdings Payable	389	465
Accrued Wages	6,156	5,177
Due to Other Funds		
Major Streets	8,893	0
Total Liabilities	\$ 18,455	\$ 9,618
<u>FUND BALANCE</u>		
Unreserved	143,258	130,297
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 161,713</u>	<u>\$ 139,915</u>

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2007</u>	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>			
Taxes	\$ 85,000	\$ 89,904	\$ 84,772
Licenses and Permits	3,300	365	500
State Grants	48,962	50,638	52,434
Contributions from Local Units	8,000	0	0
Charges for Services	300	900	0
Fines and Forfeitures	200	663	0
Interest and Rents	54,600	54,399	59,237
Other Revenues	2,615	6,285	3,955
Total Revenues	<u>\$ 202,977</u>	<u>\$ 203,154</u>	<u>\$ 200,898</u>
<u>EXPENDITURES</u>			
Legislative	\$ 9,800	\$ 8,253	\$ 10,117
General Government	98,585	89,093	147,273
Public Safety	6,550	5,172	7,828
Public Works	17,000	16,224	14,503
Community and Economic Development	5,890	4,459	2,649
Health and Welfare	960	800	3,500
Recreation and Cultural	24,715	18,796	15,951
Other Functions	15,950	17,028	15,441
Debt Service	6,040	6,034	5,556
Total Expenditures	<u>\$ 185,490</u>	<u>\$ 165,859</u>	<u>\$ 222,818</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,487</u>	<u>\$ 37,295</u>	<u>\$ (21,920)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	\$ (22,334)	\$ (24,334)	\$ (1,700)
Loan Proceeds	<u>0</u>	<u>0</u>	<u>18,763</u>
Total Other Financing Sources (Uses)	<u>\$ (22,334)</u>	<u>\$ (24,334)</u>	<u>\$ 17,063</u>
Net Change in Fund Balance	\$ (4,847)	\$ 12,961	\$ (4,857)
<u>FUND BALANCE</u> - Beginning of Year	<u>107,666</u>	<u>130,297</u>	<u>135,154</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 102,819</u>	<u>\$ 143,258</u>	<u>\$ 130,297</u>

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES

YEAR ENDED FEBRUARY 28, 2007

REVENUES

Taxes

Current Taxes	\$ 88,981	
Property Tax Administration Fee	<u>923</u>	
Total Taxes		\$ 89,904

Licenses and Permits

Zoning Permits and Fees	\$ 140	
Zoning Board of Appeal	<u>225</u>	
Total Licenses and Permits		365

State Grants

Sales Tax	\$ 46,994	
Telecommunications Right of Way	2,819	
Liquor Licenses	<u>825</u>	
Total State Grants		50,638

Charges for Services

Dump Station		900
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Fines and Forfeitures

Police Tickets		663
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Interest and Rents

Interest	\$ 2,446	
Equipment Rental	19,591	
Communication Tower Rental	7,000	
Land Rental	2,600	
Park Rental	<u>22,762</u>	
Total Interest and Rents		54,399

Other Revenue

Donations from Private Sources	\$ 5,225	
Miscellaneous	<u>1,060</u>	
Total Other Revenues		<u>6,285</u>

TOTAL REVENUES		<u><u>\$ 203,154</u></u>
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VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2007

EXPENDITURES

Legislative

Village Council

Personal Services

Salaries and Wages \$ 2,890

Other Services and Charges

Professional Services 3,476

Printing and Publishing 649

Memberships and Dues 205

Miscellaneous 1,033

Total Legislative \$ 8,253

General Government

Elections

Other Services and Charges

Professional Services \$ 512

Clerk's Office

Personal Services

Salaries and Wages \$ 5,624

Supplies

Office Supplies 920

Other Services and Charges

Communication 682 7,226

Treasurer's Office

Personal Services

Salaries and Wages \$ 3,266

Supplies

Office Supplies 282

Other Services and Charges

Professional Services 191 3,739

Building and Grounds

Personal Services

Salaries and Wages \$ 26,081

Supplies

Operating Supplies 9,769

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2007

Other Services and Charges			
Repairs and Maintenance	15,434		
Professional Services	150		
Contracted Services	20,577		
Laundry	777		
Communication	540		
Snow Removal	1,200		
Capital Outlay	1,752		
Miscellaneous	1,336	77,616	
Total General Government			89,093
Public Safety			
Police Department			
Personal Services			
Salaries and Wages		\$ 3,362	
Other Services and Charges			
Communication		548	
Repair and Maintenance		1,262	
Total Public Safety			5,172
Public Works			
Department of Public Works			
Hydrant Rental		\$ 5,000	
Street Lighting			
Other Services and Charges			
Public Utilities		11,224	
Total Public Works			16,224
Community and Economic Development			
Planning Commission			
Other Services and Charges			
Printing and Publishing		\$ 29	
Professional Services		2,540	
Contracted Services		1,890	
Total Community and Economic Development			4,459

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2007

Health and Welfare

Ambulance

Other Services and Charges

Contracted Services

800

Recreation and Cultural

Parks

Personal Services

Salaries and Wages

\$ 2,993

Supplies

Office Supplies

201

Operating Supplies

921

Other Services and Charges

Utilities

3,973

Repair and Maintenance

353

Communication

888

Printing and Publishing

60

Professional Services

3,499

Contracted Services

3,403

Festival

1,221

Miscellaneous - Other

1,284

Total Recreation and Cultural

18,796

Other Functions

Fringe Benefits

Social Security and Medicare

\$ 2,643

Health and Life Insurance

1,100

Unemployment

20

Worker's Compensation

2,090

\$ 5,853

Insurance and Bonds

11,175

Total Other Functions

17,028

Debt Service

Equipment Contract Principal

\$ 5,526

Interest Charges

508

Total Debt Service

6,034

TOTAL EXPENDITURES

\$ 165,859

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2007

OTHER FINANCING USES

Transfers Out

Recreation Fund \$ 2,000

Major Street Fund 14,459

Local Street Fund 7,875

Total Transfers Out 24,334

TOTAL EXPENDITURES AND
OTHER FINANCING USES \$ 190,193

VILLAGE OF ELLSWORTH, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 70,041	\$ 12,717
Due from Other Governmental Units	18,765	8,732
Due from Other Funds	8,893	0
TOTAL ASSETS	<u>\$ 97,699</u>	<u>\$ 21,449</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 5,085	\$ 3,368
Due to Other Funds	27,530	5,950
TOTAL LIABILITIES	\$ 32,615	\$ 9,318
<u>FUND BALANCE</u>		
Unreserved	65,084	12,131
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 97,699</u>	<u>\$ 21,449</u>

VILLAGE OF ELLSWORTH, MICHIGAN

MAJOR STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2007</u>	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>			
State Grants			
Act 51 Distributions	\$ 54,000	\$ 57,973	\$ 48,407
Contributions from Local Units	0	8,000	0
Interest and Rents			
Interest	0	1,671	196
Miscellaneous	76,468	0	1,472
Total Revenues	\$ 130,468	\$ 67,644	\$ 50,075
<u>EXPENDITURES</u>			
Public Works			
Routine Maintenance			
Personal Services			
Salaries and Wages	\$ 4,360	\$ 3,803	\$ 2,008
Employee Benefits	225	288	153
Supplies			
Materials and Supplies	2,500	1,073	2,095
Other Services and Charges			
Contract Labor and Services	26,088	8,876	26,715
Repairs and Maintenance	1,676	1,676	2,167
Equipment Rentals	3,592	3,592	3,650
Winter Maintenance			
Personal Services			
Salaries and Wages	6,000	4,612	6,299
Employee Benefits	275	353	482
Supplies			
Materials and Supplies	2,984	1,395	2,833
Other Services and Charges			
Contract Labor and Services	500	738	751
Equipment Rentals	18,000	16,852	23,592
Signs and Signals			
Supplies			
Materials and Supplies	363	364	891
Other Services and Charges			
Utilities	100	97	88

VILLAGE OF ELLSWORTH, MICHIGAN

MAJOR STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2007</u>	<u>2007</u>	<u>2006</u>
Administration and General			
Personal Services			
Salaries and Wages	300	300	300
Other Services and Charges			
Audit and Other	300	300	1,865
Construction			
Streets	82,028	105,702	0
Total Expenditures	<u>\$ 149,291</u>	<u>\$ 150,021</u>	<u>\$ 73,889</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (18,823)</u>	<u>\$ (82,377)</u>	<u>\$ (23,814)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	\$ 22,334	\$ 14,459	\$ 0
Transfers Out			
Local Street Fund	(3,400)	(7,025)	(6,500)
Bond Proceeds	0	135,000	0
Bond Issuance Costs	0	(7,104)	0
Total Other Financing Sources (Uses)	<u>\$ 18,934</u>	<u>\$ 135,330</u>	<u>\$ (6,500)</u>
Net Change in Fund Balance	\$ 111	\$ 52,953	\$ (30,314)
<u>FUND BALANCE</u> - Beginning of Year	<u>12,100</u>	<u>12,131</u>	<u>42,445</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 12,211</u>	<u>\$ 65,084</u>	<u>\$ 12,131</u>

VILLAGE OF ELLSWORTH, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2007	2006
<u>ASSETS</u>		
Due from Other Governments	\$ 4,681	\$ 11,368
Due from Other Funds	17,450	5,950
TOTAL ASSETS	\$ 22,131	\$ 17,318
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Bank Overdraft	\$ 18,390	\$ 12,871
Accounts Payable	445	829
Due to Other Funds		
General Fund	3,253	3,253
Total Liabilities	\$ 22,088	\$ 16,953
<u>FUND BALANCE</u>		
Unreserved	43	365
TOTAL LIABILITIES AND FUND BALANCE	\$ 22,131	\$ 17,318

VILLAGE OF ELLSWORTH, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2007</u>	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>			
State Grants			
Act 51 Distributions	\$ 22,414	\$ 15,727	\$ 22,550
Interest and Rents			
Interest	0	22	35
Miscellaneous	0	0	406
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 22,414	\$ 15,749	\$ 22,991
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Public Works			
Routine Maintenance			
Personal Services			
Salaries and Wages	\$ 2,566	\$ 1,899	\$ 1,592
Fringe Benefits	138	145	122
Supplies			
Operating Supplies	1,037	1,037	641
Other Services and Charges			
Equipment Rental	1,198	1,197	1,217
Contracted Services	10,914	2,362	19,136
Winter Maintenance			
Personal Services			
Salaries and Wages	1,600	1,540	2,449
Fringe Benefits	112	118	190
Supplies			
Operating Supplies	995	465	860
Other Services and Charges			
Equipment Rental	5,803	5,617	7,864
Contracted Services	200	231	250
Signs and Signals			
Supplies			
Materials and Supplies	100	0	0

VILLAGE OF ELLSWORTH, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2007</u>	<u>2007</u>	<u>2006</u>
Other Services and Charges			
Utilities	0	10	0
Administration and General			
Personal Services			
Salaries and Wages	300	300	300
Other Services and Charges			
Audit and Other	300	300	300
Construction			
Streets	0	15,750	0
Total Expenditures	<u>\$ 25,263</u>	<u>\$ 30,971</u>	<u>\$ 34,921</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,849)</u>	<u>\$ (15,222)</u>	<u>\$ (11,930)</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers In			
General Fund	\$ 0	\$ 7,875	\$ 0
Major Street Fund	3,400	7,025	6,500
Total Other Financing Sources	<u>\$ 3,400</u>	<u>\$ 14,900</u>	<u>\$ 6,500</u>
Net Change in Fund Balance	\$ 551	\$ (322)	\$ (5,430)
<u>FUND BALANCE</u> - Beginning of Year	<u>300</u>	<u>365</u>	<u>5,795</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 851</u></u>	<u><u>\$ 43</u></u>	<u><u>\$ 365</u></u>

VILLAGE OF ELLSWORTH, MICHIGAN

RECREATION FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28.

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 1,925	\$ 1,766
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Recreation Programs	1,925	1,766
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,925	\$ 1,971

VILLAGE OF ELLSWORTH, MICHIGAN

RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2007</u>	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>			
Contributions from Local Units			
Banks Township	\$ 3,500	\$ 3,500	\$ 3,500
Charges for Services			
Recreation Entry Fees	1,400	832	1,400
Tennis	0	650	0
Swimming Lessons	0	290	0
Basketball Camp	0	637	0
Other Revenues			
Contributions	400	400	400
Miscellaneous	65	0	65
	<u>5,365</u>	<u>6,309</u>	<u>5,365</u>
Total Revenues	<u>\$ 5,365</u>	<u>\$ 6,309</u>	<u>\$ 5,365</u>
<u>EXPENDITURES</u>			
Summer Recreation			
Supplies			
Uniforms	\$ 1,300	\$ 1,297	\$ 1,670
Athletic Supplies	800	504	765
Other Services and Charges			
Contracted Services			
Recreation Directors	1,500	1,500	1,400
Umpires	1,800	1,786	950
Swimming Lessons	0	290	0
Basketball Camp	0	637	0
Tennis Instructor	650	650	650
Transportation and Expense	600	600	600
Field Maintenance	400	71	288
Miscellaneous			
League Dues and Fees	40	40	40
Fund Raiser	90	0	0
Field Set Up	500	500	805
Other	200	275	102
	<u>7,880</u>	<u>8,150</u>	<u>7,270</u>
Total Expenditures	<u>\$ 7,880</u>	<u>\$ 8,150</u>	<u>\$ 7,270</u>

VILLAGE OF ELLSWORTH, MICHIGAN

RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2007</u>	<u>2007</u>	<u>2006</u>
Excess of (Deficiency) Revenues Over Expenditures	\$ (2,515)	\$ (1,841)	\$ (1,905)
<u>OTHER FINANCING SOURCES</u>			
Transfers In			
General Fund	<u>2,000</u>	<u>2,000</u>	<u>1,700</u>
Net Change in Fund Balance	\$ (515)	\$ 159	\$ (205)
<u>FUND BALANCE</u> - Beginning of Year	<u>1,766</u>	<u>1,766</u>	<u>1,971</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 1,251</u></u>	<u><u>\$ 1,925</u></u>	<u><u>\$ 1,766</u></u>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 40,071	\$ 33,157
Accounts Receivable	6,009	8,555
Inventory	2,000	2,000
	<hr/>	<hr/>
Total Current Assets	\$ 48,080	\$ 43,712
	<hr/>	<hr/>
<u>RESTRICTED ASSETS</u>		
Deposits		
Bond and Interest Redemption Fund	\$ 10,000	\$ 25,000
Bond Reserve Account	37,485	37,433
Special Purpose Account	5,001	5,001
	<hr/>	<hr/>
Total Restricted Assets	\$ 52,486	\$ 67,434
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Buildings	\$ 29,337	\$ 29,337
Machinery and Equipment	50,643	50,643
System Infrastructure	1,242,373	1,184,489
	<hr/>	<hr/>
Total Capital Assets	\$ 1,322,353	\$ 1,264,469
Less Accumulated Depreciation	572,490	540,829
	<hr/>	<hr/>
Net Capital Assets	\$ 749,863	\$ 723,640
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 850,429</u>	<u>\$ 834,786</u>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 998	\$ 4,825
Customer Deposit	10,116	0
Due to General Fund	554	554
Revenue Bonds Payable - Current Portion	8,000	8,000
	<hr/>	<hr/>
Total Current Liabilities	\$ 19,668	\$ 13,379
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable - Net of Current Portion	316,000	324,000
	<hr/>	<hr/>
Total Liabilities	\$ 335,668	\$ 337,379
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 425,863	\$ 391,640
Restricted	52,486	67,434
Unrestricted	36,412	38,333
	<hr/>	<hr/>
Total Net Assets	\$ 514,761	\$ 497,407
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 850,429</u>	<u>\$ 834,786</u>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sales	\$ 63,131	\$ 62,928
Other Revenue		
Hydrant Rental	5,700	5,000
Equipment Rental	7,668	7,548
New Service Fees	4,527	500
Lot Sales	3,000	0
Repairs	0	467
Wellhead Protection Grant	0	3,716
Miscellaneous	72	237
	<hr/>	<hr/>
Total Operating Revenues	\$ 84,098	\$ 80,396
	<hr/>	<hr/>
<u>OPERATING EXPENSES</u>		
Administration and General		
Personal Services		
Salaries and Wages	\$ 5,624	\$ 5,000
Fringe Benefits	408	382
Supplies		
Office and Computer Supplies	788	600
Other Services and Charges		
Professional Fees	2,674	1,780
Telephone	2,075	1,899
Plant		
Personal Services		
Salaries and Wages	11,151	7,658
Fringe Benefits	853	613
Other Services and Charges		
Professional Services	5,620	16,120
Operating Supplies and Repairs	34,213	11,727
Utilities	3,645	2,706
Equipment Rent	113	0

VILLAGE OF ELLSWORTH, MICHIGAN

WATER FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
Capital Outlay	7,241	677
Miscellaneous	1,000	232
Depreciation	31,661	31,661
	<hr/>	<hr/>
Total Operating Expenses	\$ 107,066	\$ 81,055
	<hr/>	<hr/>
Operating Income (Loss)	\$ (22,968)	\$ (659)
	<hr/>	<hr/>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	\$ 2,528	\$ 2,083
Interest Expense	(20,090)	(20,549)
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (17,562)	\$ (18,466)
	<hr/>	<hr/>
Income (Loss) before Contributions	\$ (40,530)	\$ (19,125)
	<hr/>	<hr/>
<u>CAPITAL CONTRIBUTIONS</u>		
Water Main Extension	57,884	6,555
	<hr/>	<hr/>
Change in Net Assets	\$ 17,354	\$ (12,570)
	<hr/>	<hr/>
<u>NET ASSETS</u> - Beginning of Year	497,407	509,977
	<hr/>	<hr/>
<u>NET ASSETS</u> - End of Year	\$ 514,761	\$ 497,407
	<hr/>	<hr/>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 75,793	\$ 61,032
Cash Payments for Suppliers for Goods and Services	(62,457)	(32,724)
Cash Payments for Employees for Services	(16,775)	(13,101)
Other Operating Revenues	20,967	17,468
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	\$ 17,528	\$ 32,675
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	\$ 57,884	\$ 6,555
Payment of Revenue Bond	(8,000)	(7,000)
Addition to Water System	(57,884)	0
Interest Payments	(20,090)	(20,549)
	<hr/>	<hr/>
Net Cash Used for Capital and Related Financing Activities	\$ (28,090)	\$ (20,994)
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Interest on Investments	2,528	2,083
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	\$ (8,034)	\$ 13,764
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	100,591	86,827
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 92,557	\$ 100,591
	<hr/>	<hr/>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2007</u>	<u>2006</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (22,968)	\$ (659)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	\$ 31,661	\$ 31,661
(Increase) Decrease in Current Assets		
Accounts Receivable	2,546	(1,896)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(3,827)	4,012
Customer Deposit	10,116	0
Salaries Payable	0	(443)
Total Adjustments	\$ 40,496	\$ 33,334
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 17,528</u>	<u>\$ 32,675</u>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE

FEBRUARY 28, 2007

<u>NAME OF ISSUE</u>	Water Supply System Revenue Bonds		
<u>DATE OF ISSUE</u>	November 1, 1985		
<u>PURPOSE</u>	To finance a portion of the cost of acquiring and constructing improvements to the Village's Water Supply System.		
<u>INTEREST PAYABLE</u>	September 1 and March 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 410,000
<u>AMOUNT REDEEMED</u>			
Prior Years	\$ 78,000		
Current Year	<u>8,000</u>		<u>86,000</u>
<u>BALANCE OUTSTANDING</u> - February 28, 2006			<u><u>\$ 324,000</u></u>
<u>CALL PROVISIONS</u>	Principal installments are subject to prepayment prior to maturity, in inverse chronological order, at the option of the Village on any interest payment date on or after September 1, 1986, at par and accrued interest to date fixed for prepayment.		
<u>RATE OF INTEREST</u>	6.125% per annum on all maturities		

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2007	\$ 8,000	\$ 9,922	\$ 17,922
March 1, 2008		9,677	9,677
September 1, 2008	9,000	9,677	18,677
March 1, 2009		9,402	9,402
September 1, 2009	9,000	9,402	18,402
March 1, 2010		9,126	9,126
September 1, 2010	10,000	9,126	19,126
March 1, 2011		8,820	8,820

VILLAGE OF ELLSWORTH, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE

FEBRUARY 28, 2007

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2011	11,000	8,820	19,820
March 1, 2012		8,483	8,483
September 1, 2012	12,000	8,483	20,483
March 1, 2013		8,116	8,116
September 1, 2013	13,000	8,116	21,116
March 1, 2014		7,717	7,717
September 1, 2014	14,000	7,717	21,717
March 1, 2015		7,289	7,289
September 1, 2015	15,000	7,289	22,289
March 1, 2016		6,829	6,829
September 1, 2016	16,000	6,829	22,829
March 1, 2017		6,339	6,339
September 1, 2017	17,000	6,339	23,339
March 1, 2018		5,819	5,819
September 1, 2018	18,000	5,819	23,819
March 1, 2019		5,268	5,268
September 1, 2019	20,000	5,268	25,268
March 1, 2020		4,655	4,655
September 1, 2020	21,000	4,655	25,655
March 1, 2021		4,012	4,012
September 1, 2021	23,000	4,012	27,012
March 1, 2022		3,308	3,308
September 1, 2022	24,000	3,308	27,308
March 1, 2023		2,573	2,573
September 1, 2023	26,000	2,573	28,573
March 1, 2024		1,776	1,776
September 1, 2024	28,000	1,776	29,776
March 1, 2025		919	919
September 1, 2025	30,000	919	30,919
	<u>\$ 324,000</u>	<u>\$ 230,178</u>	<u>\$ 554,178</u>

VILLAGE OF ELLSWORTH, MICHIGAN

2006 MICHIGAN TRANSPORTATION FUND BONDS PAYABLE

FEBRUARY 28, 2007

<u>NAME OF ISSUE</u>	2006 Michigan Transportation Fund Bonds		
<u>DATE OF ISSUE</u>	October 5, 2006		
<u>PURPOSE</u>	To finance a portion of the cost of acquiring and constructing major road improvements to the Village's Main Street.		
<u>INTEREST PAYABLE</u>	April 1 and October 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 135,000
<u>AMOUNT REDEEMED</u>			
Prior Years	\$	0	
Current Year		0	0
<u>BALANCE OUTSTANDING - February 28, 2007</u>			<u>\$ 135,000</u>
<u>CALL PROVISIONS</u>	Principal installments are subject to prepayment prior to maturity in multiples of \$5,000, in such order and at which time as the Village shall determine, at the option of the Village at par and accrued interest to the date fixed for prepayment.		
<u>RATE OF INTEREST</u>	4.20% per annum on all maturities		

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
April 1, 2007		\$ 2,772	\$ 2,772
October 1, 2007	\$ 25,000	2,835	27,835
April 1, 2008		2,310	2,310
October 1, 2008	25,000	2,310	27,310
April 1, 2009		1,785	1,785
October 1, 2009	25,000	1,785	26,785
April 1, 2010		1,260	1,260
October 1, 2010	30,000	1,260	31,260
April 1, 2011		630	630
October 1, 2011	30,000	630	30,630
	<u>\$ 135,000</u>	<u>\$ 17,577</u>	<u>\$ 152,577</u>

VILLAGE OF ELLSWORTH, MICHIGAN

STATEMENT OF 2006 TAX ROLL
YEAR ENDED FEBRUARY 28, 2007

TAXES ASSESSED (State Taxable Valuation \$8,089,281)

General Fund - 11.0000 Mills \$ 88,981

TAXES COLLECTED

General Fund 76,629

TAXES RETURNED DELINQUENT

General Fund \$ 12,352

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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May 31, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council
Village of Ellsworth, Michigan

We have audited the financial statements of the Village of Ellsworth as of and for the year ended February 28, 2007, and have issued our report thereon dated May 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Ellsworth's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Ellsworth's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying letter of significant deficiencies, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Ellsworth's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village of Ellsworth in a separate letter dated May 31, 2007.

This report is intended solely for the information and use of management, the Village Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

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May 31, 2007

COMMUNICATION OF SIGNIFICANT DEFICIENCIES THAT INDICATES NO MATERIAL WEAKNESSES IN INTERNAL CONTROL

To the Village Council
Village of Ellsworth
Ellsworth, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ellsworth as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Ellsworth's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Village and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This report is intended solely for the information and use of the Council and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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May 31, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Village Council
Village of Ellsworth
Ellsworth, Michigan

As a result of our audit of the financial statements of the Village of Ellsworth, Michigan, for the year ended February 28, 2007, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Village:

Budgeting

Pertaining to the Village's compliance with Public Act 621 of 1978, the following items are noted:

1. One activity in the General Fund exceeded the budgeted amount. In addition, the Major Street Fund, Local Street Fund, and Recreation Fund expenditures exceeded budgeted amounts.
2. Overall, the budgeting procedures used by the Village are accurate, and we encourage the Village to continue this excellent effort.

Property Tax Administration Fee

The Village is charging a 1% property tax administration fee. The Village has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Village keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

Check Signing

While examining disbursement checks of the Village we noted that there is only one signature on the disbursement checks. The Michigan Uniform Accounting Procedures manual notes that "Dual signatures are required for all checking accounts (except the separate tax collection checking account). The dual signatures MUST be the clerk (or deputy clerk) and the treasurer (or deputy treasurer)." Having two signatures on all disbursement checks will significantly improve internal control over cash. We recommend that the Village implement a policy of requiring two signatures on all disbursement checks.

We would like to thank the Council for its continued confidence in our firm by awarding us the audit assignment of the Village. We would also like to thank the Clerk and President for their cooperation in helping us fulfill the audit of the Village records.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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